From:	Stan Sokolowski <ssokolowski@cifc.com>
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CC:	
Date:	Fri, 8/21/2015 6:50:29 PM
Subject:	Daily Update

Quote of the Day

"I always tried to turn every disaster into an opportunity" – John D. Rockefeller

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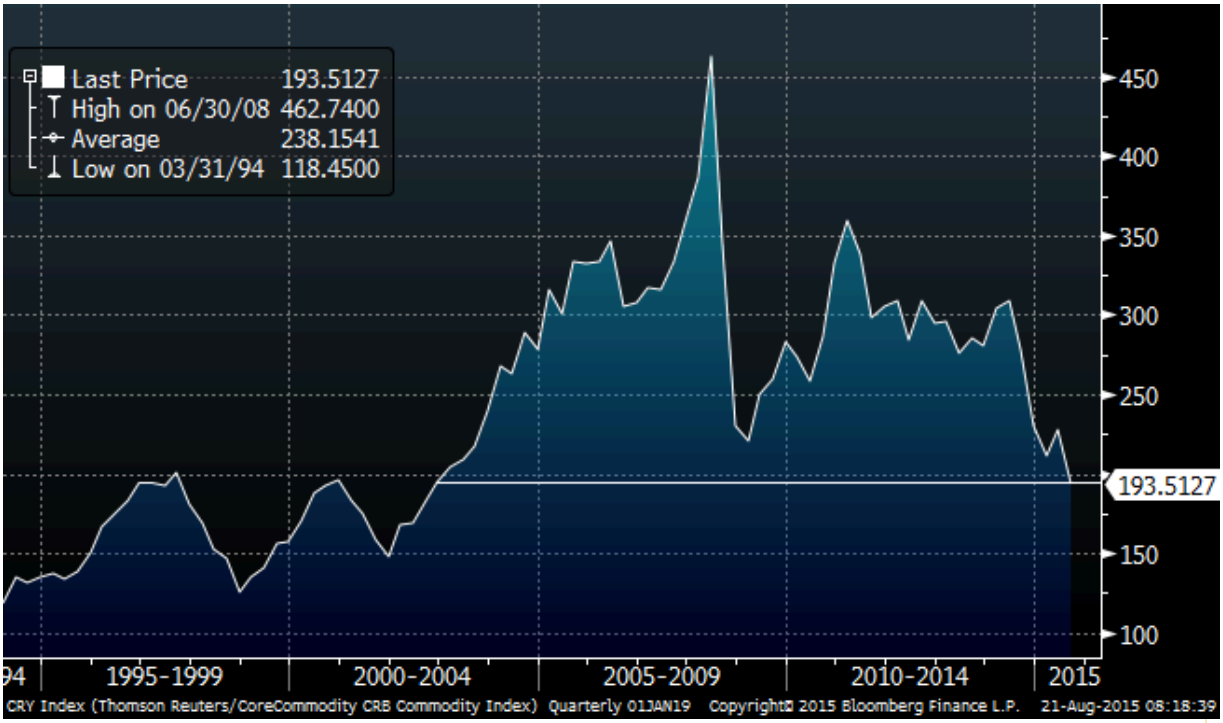
- Yesterday was a brutal day for risk markets. We never bounced as the fade just kept grinding lower all day long. We also experienced what appeared to be a capitulate move post close but no support followed. If it was owned, it was sold (ex-flight to risk assets like treasuries). Names like Disney, Boeing, Goldman Sachs and United Health pushed the Dow down 358 points. In S&P land, Amazon, Google and Priceline were hated as the index dropped 44 points. Commodities remain a falling knife and are now back to 2003 levels (see chart below). Oil is heading for its 8th weekly decline and is again below $41 this morning. China, once again, had weak data overnight which pushed the Shanghai down over 4.5% (dragging the rest of Asia with it – and Europe). The Shanghai has now entered a bear market. Deere beat but cut their forecast for the year, a Dow theory sell signal was generated yesterday, US futures fought back from year to data lows overnight but are again fading as I type. It feels so bearish and oversold that we are supposed to see a bounce but it's not happening… The punch line remains: demand and growth have slowed again, inflation is fading and policy makers are stuck. Valuations need to recalibrate and volatility will be elevated while this process is ongoing.

  When does the pain end? Who knows but a the road map we are currently following leads to more vol in Sept/Oct as folks return from summer holidays (although there seems to be more pull forward this August then I had expected), more collateral damage will bubble to the surface (other funds will be shutting down over performance "issues") and policy and economic data will be front and center. At this point, it does not feel recessionary but we are definitely moving into a slower growth regime. Futures: -13.75. 10 year: 2.07%. Have a good weekend.

  Some return data points ytd:

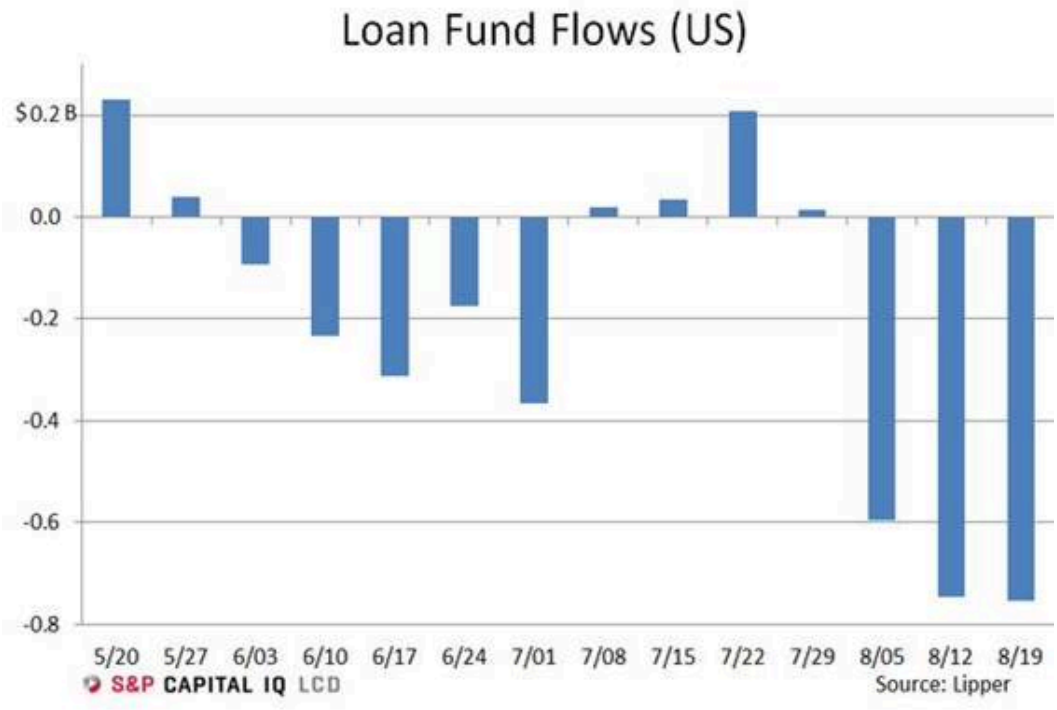
  - Dow Jones Industrial Average (-4.67%)
  - Standard and Poor's Index (-1.13%)
  - Nasdaq (+2.99%)
  - EuroStoxx (-1.71%)
  - Dollar (+5%)
  - Gold (-2.13%
  - WTI (-28.45%)
  - High Yield Bonds (+0.5%)
  - Loans (+2.87%)

Commodities

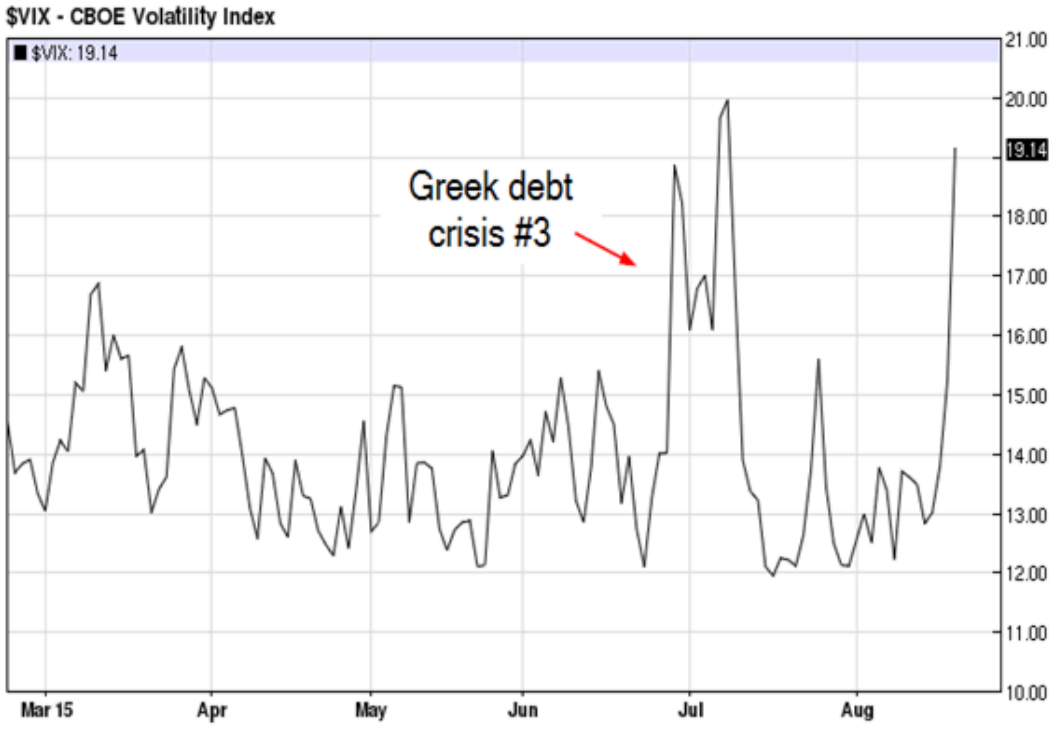


- Data: US Manufacturing PMI later this morning. EuroArea manufacturing unch'd at 52.4 (vs. 52.2 exp). China August Caixin Flash Manufacturing 47.1 (vs. 48.2 exp) – lowest since March 2009…

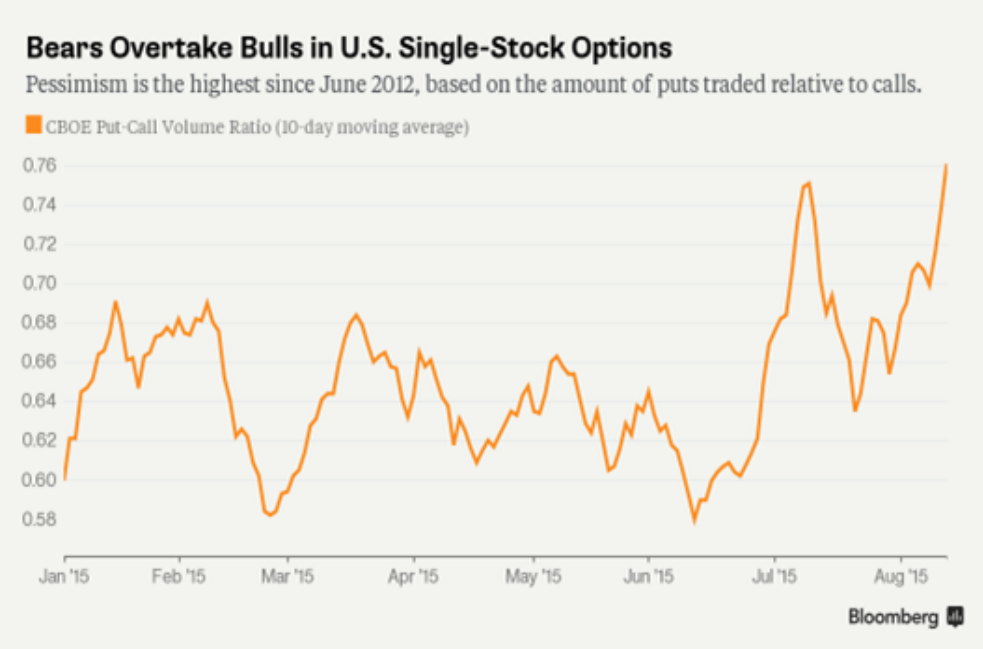
- Credit: Yesterday, loans were down ¼ on the low beta and up to 3 points on high beta yesterday. We are opening flat this morning but the weak tone remains. Sellers are becoming more urgent while buyers become more patient… Dealers are not using any of their already constrained capital. Liquidity is horrible as participants are all leaning in one direction. Loans saw the biggest outflow of the year last week too.



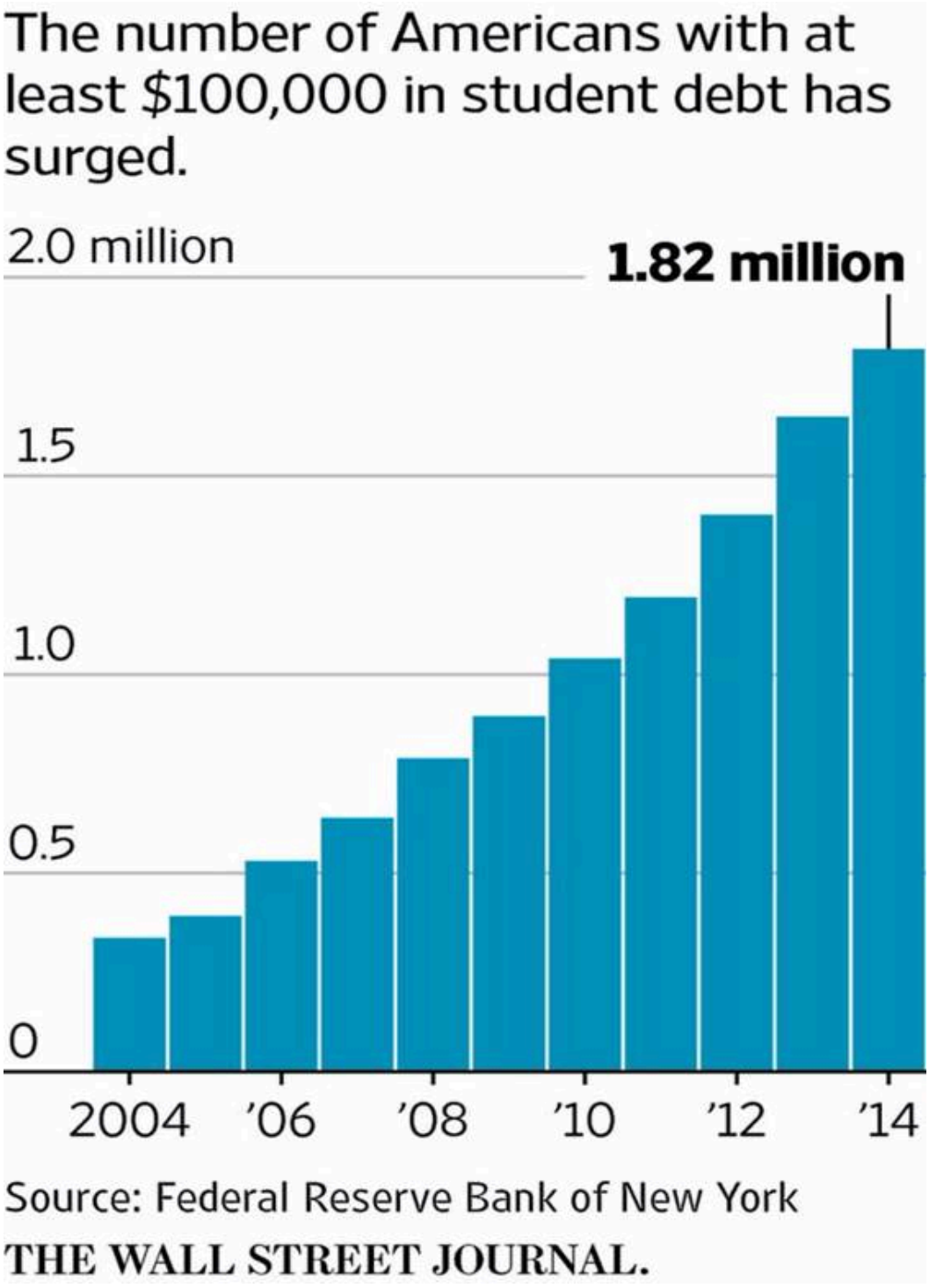
- Charts of the day:



Dounce time?



- Other:
  - Favorite headline of the day: Glencore Tripped Up by Faith in Rational Markets (they weren't "irrational" when Glencore were making a bunch of money were they?) http://www.nytimes.com/2015/08/20/business/dealbook/glencore-tripped-up-by-faith-in-rational-markets.html?ref=dealbook
  - PIMCO has a different view => http://www.cnbc.com/2015/08/20/dont-conflate-this-with-a-slowdown-pimcos-mather.html
  - "No end in sight for oil glut" http://www.wsj.com/articles/no-end-in-sight-for-oil-glut-1440113703
  - Uncle Joe! http://www.washingtonpost.com/news/the-fix/wp/2015/08/20/joe-biden-is-suddenly-polling-a-little-better-than-hillary-i-didnt-see-that-coming/
  - Nice business model (for professors)



- HY: 104 (-1/16)
- IG: 80 ¾ (+1/4)
- CSLLI: -0.51% mtd / 2.54% ytd

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